



Minnesota Housing eNews Alert

June 11, 2009

Neighborhood Stabilization Program (NSP) Updates

Subrecipient Submittal of NSP Disbursement Requests

Minnesota Housing is now accepting requests for the reimbursement of funds expended for NSP administration costs or activities and advance payment requests for acquisitions. Subrecipients should use the fillable disbursement request forms located at the [NSP webpage](#). Please take a moment to review the Disbursement Forms Instructions.

Requests may be submitted to Minnesota Housing on a daily basis; processing days will be Monday through Thursday, except for state-observed holidays. Subrecipients should receive funds in their account eight business days following the approval of the request. Approval from Minnesota Housing will be forwarded via email to the originator of the request. Disbursement guidelines can be found in the [NSP Program Manual](#) section 2.04. Subrecipients are reminded of the following:

- Funds may not be advanced for rehabilitation activities. Draws for the payment of rehabilitation work orders will be approved upon receipt of copies of bills/invoices paid.
- The NSP contract with Minnesota Housing must be ratified prior to the approval of the Environmental Review Request for Release of Funds. Subrecipients should allow sufficient time between their anticipated Environmental Review Release of Funds approval and the closing of their NSP transaction.
- An NSP Agreement should be established for all acquisition rehab transactions whether buyer driven or city driven and managed through a local subrecipient or by an outside entity. This will ensure the property retains its NSP eligible status through any subsequent sales or transfers, such as directly to an eligible end user, or to another entity for rehabilitation and later sale to an eligible end user. The agreement summarizes who does what, when, and how regarding the pre-acquisition NSP requirements prior to the obligation of funds, such as the Environmental Review, the purchase discount, the appraisal completed within 60 days of the final offer, the URA requirements/seller disclosures and other, and lead disclosures if applicable. See HUD guidance titled [Guidance on NSP-Eligible Acquisition & Rehabilitation Activity](#). The guidance further describes that if state subrecipients utilize local subrecipients, the state subrecipients remain responsible for local subrecipient performance and reporting.
- Program sample documents must be submitted to Minnesota Housing for a compliance review of the continued affordability terms. A sample Rental Declaration of Covenants document can be found on the [NSP webpage](#). See the article below for suggestions regarding compliance with resale restrictions.

- Program income must be spent prior to drawing down funds. All program income must be spent on NSP activities approved in Subrecipient's contract and located in Subrecipient's target area.

Subrecipients may authorize administrators to sign disbursement requests

Authorizations may be granted by Subrecipients for their NSP administrators to sign disbursement requests. To process this type of authorization, Subrecipients must send an authorization letter indicating the administrator's name, entity name, and authorized signature contained in the same authorization letter. The authorization is only for the purposes of requesting disbursements; funds will continue to be paid to the Subrecipient's account and will not be paid to the Administrator. Please email these authorizations to the [NSP email address](#) and send original to the attention of Ruth Simmons at Minnesota Housing.

Resale Restrictions

Review of resale restrictions in documents enforcing continued affordability in homeownership projects has uncovered a couple common weaknesses. If your organization has not yet submitted resale restrictions to Minnesota Housing for review and approval, you must ensure your documents address the following issues.

- 24 CFR §92.254 a. 5. i. requires that the resale restriction ensure that the original NSP-assisted homeowner receives a fair return on his/her investment;
- The same section requires that the NSP-assisted housing remain affordable to a reasonable range of low-income homebuyers.

These two requirements must be balanced against each other, while at the same time meeting the requirement that a house that was originally targeted for occupancy by a households at or below 50% of AMI is sold to another family of that income level. The process for achieving both these requirements must be stated in the covenant or deed restriction.

While not an error, covenants reviewed thus far have unbending requirements that the resale restriction continues, even in the event of foreclosure or a deed-in-lieu of foreclosure. A consideration for State Subrecipients is whether buyers will be able to obtain long-term private financing unless there is a clause relieving them of the resale restriction in the event of a foreclosure or deed-in-lieu of foreclosure. If your covenants will permit termination of the resale restrictions in the event of foreclosure or deed-in-lieu, the covenant must include a provision that the resale restrictions are revived according to the original terms if the owner before the termination of resale restrictions again obtains an ownership interest in the property.

Manual Updates and Email/Website Information

NSP Program Manual updates to be posted June 30

Staff is preparing manual updates for presentation to the Minnesota Housing board on June 25. Among the changes being submitted is a process section and the reference of forms needed throughout the chapters. Changes to be incorporated in the manual are as follows:

- **NSP Property value limits must be as restrictive as HOME's, per Minnesota Housing's Action Plan.** Properties that are acquired and rehabilitated must have an estimated value after rehabilitation that does not exceed 95% of the median purchase price for the area. The maximum estimated values are posted on the NSP webpage. Standard properties not requiring rehabilitation must be purchased at no more than the value limit referenced above. This requirement is in addition to the required discount when purchasing foreclosed properties.

- **NSP Funds for Downpayment is capped at 50% of needed downpayment.** When qualifying borrowers, Subrecipients must cap NSP downpayment and closing cost assistance to 50% of the required downpayment amount.
- **Other types of NSP Assistance to buyers**
Assistance can also include interest rate write down dollars to a lender in return for interest rate reduction, or, principal write down in dollars to lender to reduce amount borrowed by household, or a reduction in the sales price.
- **Entities acquiring foreclosed properties from itself**
An NSP recipient may not provide NSP funds to another party to finance an acquisition of tax foreclosed (or any other) properties from itself, other than to pay necessary and reasonable costs related to the appraisal and transfer of title. A property conveyed in this manner to a subrecipient, homebuyer, developer, or jurisdiction will be NSP-assisted and subject to all program requirements, such as requirements for NSP-eligible use and benefit to income-qualified persons.
- **Correction to the definition of "vacant" properties.**
Unoccupied property or vacant land that was once developed; greenfield sites are ineligible.
- **Presumption of Affordability**
Subrecipients can use the presumption approach for whole neighborhoods where it is believed to be affordable to a reasonable range of low and moderate income buyers. Subrecipient's analysis must be sent to Minnesota Housing for forwarding to HUD. Subrecipients must continue to document affordability until receiving HUD approval of the alternative approach.
- **High rents - 30% of 65% AMI**
NSP Income limits are adjusted for family size. Rents paid by tenants must not exceed the HOME rent limits specified in 24 CFR 92.252, which is the lesser of fair market rent (FMR) or 30% of 65% area median income, as determined by HUD, with adjustments for number of bedrooms. Maximum rent includes a utility allowance.

Using the NSP Email Box - nsp.mhfa@state.mn.us

Please direct all your Environmental Review requests and Disbursement requests to the NSP email box.

FAQ's

The Frequently Asked Questions document on the web site has been updated. Please note the date posted for each question to identify the more recent updates.

Information Resource for Homebuyers, Realtors, Contractors, Developers, and Non-profits to Access Subrecipient Programs

To assist in the marketing of your NSP program, Minnesota Housing requests that you provide contact information of the individual or individuals that will be charged with answering homebuyer calls or calls from other potential partners seeking information on your NSP program. A matrix will be posted on Minnesota Housing's web site to properly direct these calls. Please provide the following information and email it to: nsp.mhfa@state.mn.us.

- Subrecipient name
- Contact person for consumer calls
- Contact person for other entity calls
- Phone number
- Email
- Website address

Questions?

Contact Ruth Simmons at 651.297.5146 or ruth.simmons@state.mn.us.